

2022 IRS REVIEW

MEMORANDUMS OF UNDERSTANDING BETWEEN IRS AND DOR

- There are several MOUs between the department and the IRS.
- The main MOU is the Implementing Agreement and the Business Agreement.
- MOUs are considered IRS property and all FOIA requests must be referred to the IRS.

GOVERNMENTAL LIAISON

- The IRS will only work with the agency's Person of Contact (POC).
 - The department's Chief Security Officer is the main contact, with the Disclosure Specialist as the alternate.
- The IRS Governmental Liaison handles reports, schedules extract meetings, and assists the department with concerns and issues.

FEDERAL TAX INFORMATION (FTI)

- FTI is taxpayer information that is supplied by the IRS.
- The requirements for processing, storing, and disposing of FTI are published in IRS Publication 1075.
 - Pub 1075 can be found at:
<https://www.irs.gov/pub/irs-pdf/p1075.pdf>
 - Pub 1075 is based on NIST 800-53 Revision 5.
- The IRS requires the department to be able to locate FTI and know FTI movement by using tracking logs.
- Offices containing FTI must be secured by a double barrier; hard copy must be locked with a log tracking keys and badges.
 - If an employee is used as the second barrier, their badge must be worn above the waist.
- Policies and Procedures – must be reviewed every three years.

IRS EXTRACTS

- Several extracts are downloaded and uploaded through Secured Data Transfer (SDT). This is a secured IRS data transfer system and access is limited and upon approval only.
- Several extracts are exchanged between DOR and IRS:
 - extracts downloaded from the IRS are used for audits, non-filers, etc.
 - extracts uploaded from DOR are sent to the IRS as requested.
- Some extracts are received by mail in hardcopy. These are logged, scanned, and placed into GenTax. Hardcopy is destroyed.

TRANSCRIPT DELIVERY SYSTEM (TDS)

- TDS is a method for the department to receive information from the IRS that is not available through SDT or in the GenTax warehouse. Access to TDS is limited and upon approval by the Chief Security Officer or the Disclosure Specialist.
- Approved TDS users can login to TDS and request FTI for a specific taxpayer.
- The transcripts are then downloaded into GenTax and tracked on the tracking log.
 - A downloaded transcript must be marked **FTI**, and the file name must include **FTI**.

CONTRACTORS

- DOR must submit a 45-day notification letter to the IRS for approval of contractors accessing FTI.
 - The department must wait for IRS confirmation before granting access.
- All contracts and Service Level Agreements must include the Exhibit 7 language detailed in Pub 1075.
- All contractor employees with FTI access must sign an annual confidentiality form.
- All contractors must pass an FBI fingerprint background check.

REPORTING REQUIREMENTS

- Pub 1075 requires the department to file annual and semi-annual reports, along with inspection reports and the IRS review.
- IRS Review – inspects technical, physical every three years:
 - Annual Reports:
 - Safeguard Security Report (SSR) – self assessment.
 - Optional Data Elements (ODES) – extracts.
 - Need and Use – report what extracts we need and use.
 - Semi Annual Reports
 - Corrective Action Plan.
 - Plan of Action and Milestone (POAM).
 - Inspection Reports
 - Headquarters, Contractors and Data Centers – **every 18 months.**
 - Field Offices – **every 3 years.**

REPORTING DISCLOSURES OF FTI

Pub 1075 requires the department to report any disclosure of FTI to the Treasury Inspector General for Tax Administration (TIGTA).

- Disclosures must be reported within 24 hours of notification.
- To report, contact the IRS Office of Safeguards to file a report through SDT.
- If a FTI disclosure has been made, TIGTA will assume the investigation.

DISCLOSURE AND SECURITY TRAINING

- The department is required to provide training for disclosure, security, role based annually. New employee training is provided before access to FTI is provided.
 - The training requirement includes all employees, management, and contractors.
- Additional training:
 - employee newsletter.
 - posters.
 - short videos.
- Consequences of unauthorized disclosure must be included in all training.
 - Penalties range from \$1000 - \$5000 and may include imprisonment from one to five years for unauthorized disclosure, such as shoulder surfing, and any willful act.

RESULTS OF THE 2022 REVIEW
